NIRAJ ACADEMY FOR EXCELLENCE

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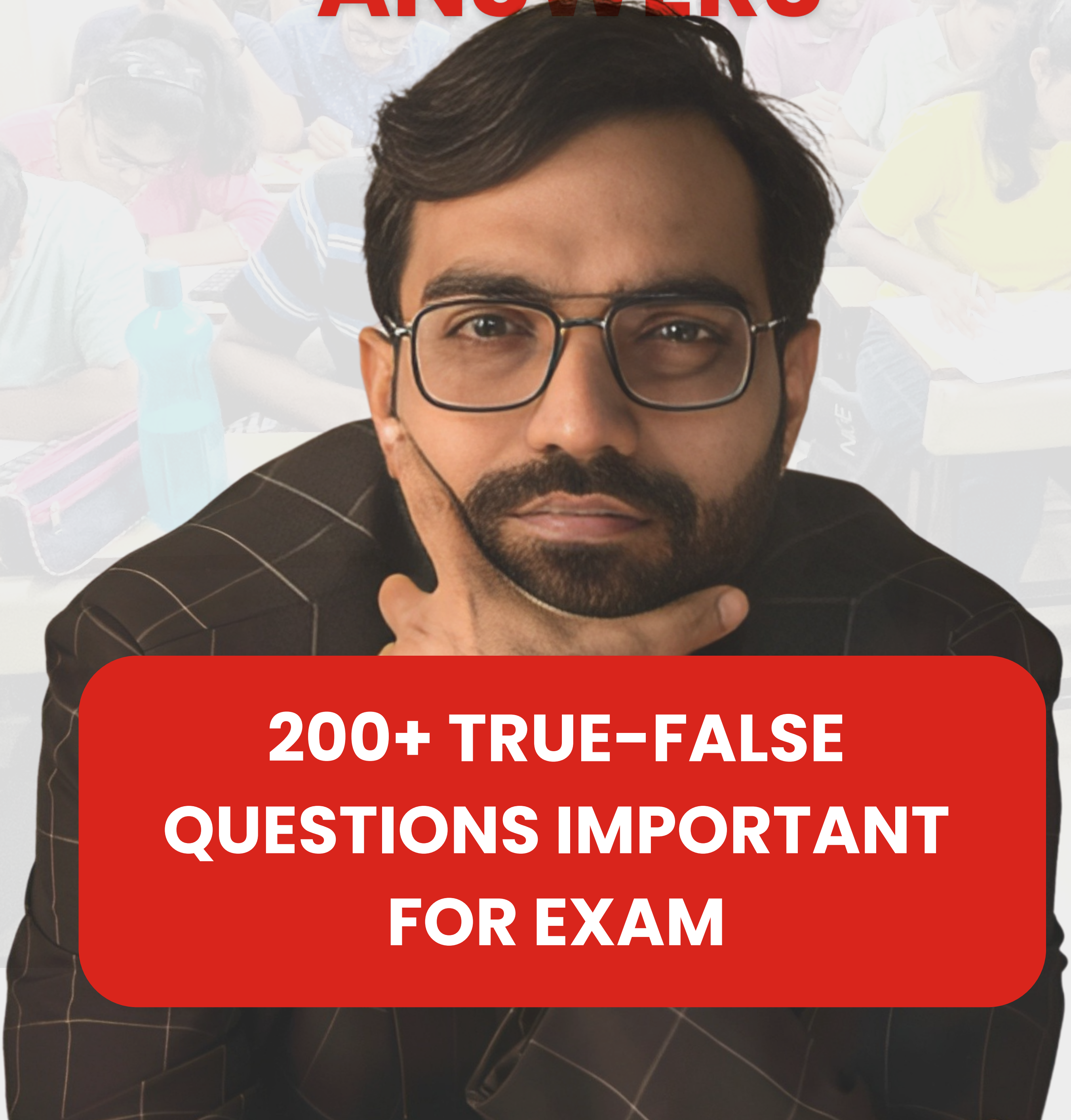
CA FOUNDATION

ACCOUNTS IMP TRUE-FALSE ANSWERS



200+ TRUE-FALSE QUESTIONS IMPORTANT FOR EXAM

CA CS CMA NIRAJ AGARWAL

Answers

1. False - Debenture interest is payable before the payment of any dividend on shares.

2. True: Amount paid to Management Company for consultancy to reduce the working expenses is capital expenditure as this expenditure will generate long- term benefit to the entity.

3.False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called Del Credere commission.

4.False: According to the Indian Partnership Act, in the absence of any agreementto the contrary, profits and losses of the firm are shared equally among partners.

5.False: Goods taken by the proprietor for personal use should be credited to Purchases Account as less goods are left in the business for sale.

6. False- The Sales book is a register specially kept to record credit sales of goods dealt in by the firm, cash sales are entered in the cash book and not in the sales book.

7. False- While calculating the average due date, any transaction date may be takenas the base date.

8. True- If a partner retires, his share of profit or loss will be shared by the other partners in their profit sharing ratio.

9. False- When shares are forfeited, the share capital account is debited with calledup capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.

10. False- Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.

11. False- When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.

12. False - Finished goods are normally valued at cost or net realizable value whichever is lower.

13. True - Discount at the time of retirement of a bill is a gain for the drawee andloss for the drawer

14. False - According to Partnership Act, in the absence of any agreement to the contrary profits and losses are to be shared equally among partners.

15. False- Receipts and payments account is a classified summary of cash receipts and payments over a certain period together with cash and bank balances at thebeginning and close of the period.

16. True: Amount paid to Management Company for consultancy to reduce the working expenses is capital expenditure as this expenditure will generate long- term benefit to the entity.

17. False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called Del credere commission.

18. False: According to the Indian Partnership Act, in the absence of any agreementto the contrary, profits and losses of the firm are shared equally among partners.

19. False: When shares are forfeited, the share capital account is debited with calledup capital of shares forfeited and the share forfeiture account is credited withamount received on shares forfeited.

20. False- The right hand side of the equation includes cash twice- once as a part of current assets and another separately. The basic accounting equation is Equity + Long Term Liabilities = Fixed Assets + Current Assets - Current Liabilities

21. False- The Sales book is a register specially kept to record credit sales of goods dealt in by the firm, cash sales are entered in the cash book and not in the sales book.

22. False- While calculating the average due date, any transaction date may be takenas the base date.

23. True- If a partner retires, his share of profit or loss will be shared by the other partners in their profit sharing ratio.

24. False: Net income is determined by preparing income and expenditure in case of persons practicing vocation.

25. False - Bank reconciliation statement is prepared to reconcile and explain the causes of differences between bank balance as per cash book and the same as per bank statement as on a particular date
.

26. False - Finished goods are normally valued at cost or net realizable value whichever is lower.

27. True - In the early periods of useful life of a fixed assets, repairs and maintenanceexpenses are relatively low because the asset is new. Whereas in later periods, as the asset become old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is high inthe initial period and reduces continuously in the later periods. Thus,depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.

28. True - Discount at the time of retirement of a bill is a gain for the drawee andloss for the drawer.

29. False - Cash withdrawal by the proprietor from his business should be treated as his drawings and not a business expense chargeable to profit and loss account. Such drawings should be deducted from the proprietor's capital.

30. False - According to Partnership Act, in the absence of any agreement to the contrary profits and losses are to be shared equally among partners.

31. False- Receipts and payments account is a classified summary of cash receipts and payments over a certain period together with cash and bank balances at thebeginning and close of the period.

32. False: Net income is determined by preparing income and expenditure in case of persons practicing vacation.

33. True: No interest is allowed when the due date of a bill falls after the date ofclosing the account. However, interest from the date of closing to such due date is written in 'Red Ink' in the appropriate side of account current.

34. False: Consignment account is a nominal account.

35. True: The balance represents the cash physically in existence and is therefore an asset

.

36. True: Because it depicts that one aspect of the double entry has been completed. 37.True: Institutions sometimes keep special funds for some special purposes. Insuch a case the income related to such funds should be added to these funds
and expenses should be deducted from such funds.

38. True: Salary paid in advance relates to the coming accounting period. It has nothing to do with the current period. Hence it is not taken in the Profit and LossAccount as an expense. It is shown as a Current Asset in the Balance Sheet.

39. True: Because the laboratory and library deposits are of the nature of securitydeposits to be refunded to the students on their leaving the College or University

40. True: They are prepared on the basis of assumptions, conventions, concepts and
personal judgements of the person who prepare them.

41. False: The rationale behind the opening of a suspense account is to avoid delayin the preparation of financial statements.

42. True: In the early periods of useful life of a fixed asset, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later period, as asset becomes old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is higher in the initial period and reduces continuously in the later periods. Thus depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.

43. True: Accounting is a process of identifying, measuring and communicatinginformation to permit informed judgement and decisions.It covers the preparation of financial statements and communication to the users of accounts.

44. False: The value of human resources cannot be measured in monetary terms,

thus it will not be shown in the balance sheet.

45. True: The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

46. False: The debit notes issued are used to prepare purchases return book. 47.True: In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in 'Red Ink' in the appropriate side of Account Current. This Red Ink Interest is treated as negative interest.

48. False: Trial balance only checks the arithmetical accuracy of the books. Errors of principle and errors of commission will not affect the agreement of the trial balance.

49. False: The Cinema Hall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense which is capitalized.Such expenses are not revenue and amortized over a period of time.

50. False: A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale

as they have already been allotted earlier.

51. False: If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree
.

52. False: There are three ways of preparing an Account Current: (I) with help of interest table; (ii) By means of products and (iii) By means of products of balances
.

53. True: When there is no partnership deed then the provisions of the Indian Partnership Act are to be applied for settling the dispute. Interest on loan is payable @ 6% p.a. as per Indian Partnership Act.

54. False: Interest coverage ratio is computed as Earnings before interest and taxes divided by Interest. This indicates the firm's ability to meet only the interest andother fixed-charges obligations and not instalments.

55. False: Overhauling expenses for the engine of the motor car is incurred to get better fuel efficiency. These expenses will reduce the running cost in future and thus the benefit is in the form of a long-term advantage. So overhauling expenses should be capitalized.

56. True: Depreciation is a non-cash expense and unlike other normal expenditure (e.g. wages, rent, etc.) does not result in any cash outflow. Therefore depreciation is a non-cash expense and does not result in any cash outflow.

57. False: Life Membership Fee received for life membership is a capital receipt as itis of non-recurring nature. It is directly added to capital fund or general fund.

58. True: The closing stock appears in the trial balance only when it is adjusted against purchases by passing the entry (in which Closing Stock A/c is debitedand Purchases A/c is credited). In this case, closing stock is not entered in Trading Account and is shown only in Balance sheet.

59. False: To increase the sale and to encourage the consignee to make credit sales,the consignor provides an additional commission generally known as del-credere commission. In case del-credere commission is provided to consignee, bad debtsis no more the loss of the consignor and it is borne by the consignee.

60. True: Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.

61. False: If an amount is posted in the wrong account or is written on the wrong side of the correct account, it is case of "errors of commission" and is not "errorof principle".

62. False: In Consignment sale, ownership of the goods rests with the consignor tillthey are sold by the consignee. The consignee does not become the owner of thegoods even though goods are in his possession. He acts only as agent of the consignor.

63. True: In case the due date of a bill falls after the date of closing the account,then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest.

64. False: The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership. Limited Liability (LLPs) Act, 2008 is applicable for Limited Liability Partnerships.

65. False: Listed companies are those which are listed on the stock exchange. Shares of listed companies are open to general public. Every listed company is a public company but every public company is not a listed company.

66. True: Only the shares of public company are listed on stock exchange. Every listed company is a public company.

67. False: It is mandatory to incorporate a company under the Companies Act. Without such incorporation, a company cannot come into existence.

68. True: Company comes into existence through the operation of law. It is a separate entity distinct from its members.

69. False: Company is a separate legal entity created by law. Death, insolvency or change of member does not affect its existence.

70. True: Liability of shareholders is limited to the extent of the unpaid share capital. So, if shares are fully paid-up, he is subject to no further liability.

71. False: Shares of public company are freely transferable. Transferability of shares is restricted in a private limited company.

72. True: Financial statements give a true & fair view of the state of affairs of the company. Financial statements include profit and loss account, balance sheet, etc.

73. False: Schedule III Part I explains proforma of Balance Sheet.

74. False: Debenture holder are the creditors of the company.

75. True: Perpetual debentures, also known as irredeemable debentures are not repayable during the life time of the company.

76. False: Registered debentures are not easily transferable by delivery. Bearer debentures are transferrable by delivery.

77. True: In case the company cannot repay its loan & the interest thereon on the due date, the lender becomes debenture holder & then only he is entitled to interest on debentures.

78. False: Debenture's suspense account appears on asset side of balance sheet under non-current asset.

79. False: Even if the company incurs loss or earns profit, it has to pay the interest on debentures.

80. False: At the time of liquidation, debenture holders are paid off before shareholders on priority basis.

81. True: Convertible debentures can be converted into equity share after a certain period of time from the date of its issue.

82. False: These debentures are repayable as per the terms of issue, for example, after 8 years from the date of issue.

83. True: Debentures can be issued for a consideration other than for cash, such as for purchasing land, machinery etc.

84. False: Liability of the holder of shares is limited to the issue price of shares acquired by them.

85. True: Authorised capital is the amount of capital mentioned in 'capital clause' of the 'Memorandum of Association'. Authorised capital is considered only as presentation and not considered in total of balance sheet.

86. False: Rate of preference dividend is always fixed.

87. False: According to Section 53 of the Companies Act, 2013, a Company cannot issue shares at a discount except in the case of issue of sweat equity shares (issued to employees and directors). Thus, any issue of shares at discount shall be void.

88. True: According to Section 53 of the Companies Act, 2013, a Company cannot issue shares at a discount except in the case of issue of sweat equity shares (issued to employees and directors).

89. False: As per table F, rate of interest on calls in arrears is 10%.

90. False: As per Table F, rate of interest on calls in advance is 12%.

91. False: A share on which only a fixed rate of dividend is paid every year, without any accompanying additional rights in profits and in the surplus on winding-up, is called 'Non-participating Preference Shares. Non-participating preference shareholders do not enjoy voting rights.

92. True: Reissue of forfeited shares is not allotment of shares but only a sale.

93. False: Loss on re-issue should not exceed the forfeited amount.

94. False: All the partners have same rights at all times, unless contrary is provided in the partnership deed/or agreed by the partners.

95. True: With every new partner, remaining old partners have to foregone a proportion in their share which is called as sacrificing ratio.

96. True: Revaluation is also called as profit and loss adjustment account.

97. True: Increase in asset is an income hence credited to revaluation account.

98. True: This can be done by opening Memorandum Revaluation Account.

99. False: New partner is not entitled to have any share in the reserves of the firm prior to his admission. Such reserves are distributed to old partners in their old profit-sharing ratio.

100. False: If revaluation account shows credit balance, then it represents profit and therefore it is credited to all partners in their profit-sharing ratio and not equally.

101. True: Every incoming partner shall bring in some amount of capital for the firm.

102. False: New partner is not entitled to profit on revaluation, it belongs to old partners in their old profit-sharing ratio.

103. False: Surviving partners continue to carry on the business.

104. False: Legal heirs of deceased partners are entitled to dues of the deceased partner.

105. True: To find out the actual values of the assets and liabilities, revaluation account is prepared.

106. True: reserves belong to the partners in the same manner the capital contributed by them. Hence it is

distributed to them through the capital account.

107. False: Legal heirs of a deceased partner are entitled to all the dues of deceased partner.

108. False: It is very much necessary to adjust goodwill on death of a partner.

109. True: Yes, it can be continued in the earlier share or in new share- in either case it leads to computing a new profit-sharing ratio

110. False: On death of a partner the firm gets full value of sum assured of the joint life policy.

111. False: All the partners are entitled to amount received from joint life policy.

112. False: In absence of any agreement partners share profits equally and not in capital contribution ratio.

113. True: Profit sharing can be different from the that of the capital introduced by each of the partner. Not necessary that partner contributing more capital should have a higher profit-sharing ratio and vice versa.

114. False: Registration of firms is not compulsory under Indian Partnership Act, 1932.

115. True: Where the partnership deed is absent, then the interest shall be paid at 6% per annum. So, the interest on the loan to be paid to the partner.

116. False: Interest on capital can be paid only if it is provided in the partnership deed.

117. False: Every partner need not take part in the business. Even if a partner does not take part in the business he is entitled for his share of profit.

118. True: In absence of Partnership deed, Interest at the rate of 6%. p. a is to be allowed on a partner's loan to the firm.

119. False: Husband and wife can be partners in the same firm.

120. False: There is no senior or junior partner. Every partner is agent/principal of other partners.

121. True: Concept of agency applies to every partner and the firm as well. So, each partner is a principal to and agent of every other partner and to the firm.

122. False: Business of a partnership is not closed if any one of the partners retires, remaining partners continue to carry on the business.

123. False: At the time of retirement of a partner all the reserves appearing in the balance sheet are transferred to all the partners in their old profit-sharing ratio.

124. False: After retirement of a partner, profit sharing ratio of continuing partners does not remain the same.

125. False: A partner can retire on any day as per his own wish.

126. False: Retiring partner is entitled to his share of goodwill in the firm.

127. False: If a partner retires in between the accounting year then he is certainly entitled to the profit from the date of beginning of the year till his date of retirement.

128. True: The firm is eligible for the surrender value on the Joint Life Policy taken on the partners at the time of their retirement.

129. True: As per the surrender policy method, the JLP reserve is distributed to the partners in their profit-sharing ratio through capital account.

130. False: Revaluation account is necessary on retirement of a partner.

131. False: Profit on revaluation is credited to all the partners in their profit-sharing ratio.

132. False: Even though Goodwill is intangible asset it can be valued in terms of money.

133. True: Goodwill has to be valued every time whenever there is a reconstitution.

134. True: Goodwill is the brand image the firm has in the market due to which it enjoys an advantageous position over the other players in the market.

135. False: At the time of admission or retirement of a partner, goodwill should not be raised in the books of account of partnership firm because no consideration in money or money worth has been paid for it.

136. False: Weighted average profit method, capitalization method, super profits methods also can be used for valuation of Goodwill.

137. True: Super profit means excess profit that can be earned by the firm over and above the normal profit usually earned by similar firms under similar circumstances.

138. True: The rate of return is considered as an average for the industry, which is applied to the capital employed in the concerned firm.

139. False: Normal profit depends upon Normal rate of return only and not on past profits.

140. True: Generally, the goodwill at the time of admission is adjusted through the capital accounts and not shown in the books of the firm.

141. False: Goodwill brought in by new partner is shared by old partners in sacrificing ratio and not equally.

142. False: By-products generally have insignificant value as compared to the value of main product. Therefore, they are generally valued at net realizable value.

143. False: The objective of preparing Manufacturing Account is to determine manufacturing costs of finished goods for assessing the cost effectiveness of manufacturing activities.

144. True: Manufacturing account deals with the raw material and work in progress.

145. True: Raw Material consumed is arrived at after adjustment of opening and closing inventory of raw materials and purchases.

146. False: The Trading Account will show the quantities of finished goods manufactured and sold and the opening and closing inventory. It will not show the quantity of raw materials or work-in-progress.

147. False: Overhead is defined as total cost of indirect material, indirect wages and indirect expenses.

148. True: Profit and loss account shows either net profit or net loss for a particular period.

149. False: Gains from the sale or exchange of assets are considered as the revenue of the business. But this revenue not in the ordinary course of business so it is capital receipts.

150. True: The salary paid in advance is an asset it is not an expense because it neither reduces assets or nor increase liabilities.

151. True: A loss is an expenditure of the business which does not bring any gain to the business.

152. False: All liabilities which become due for payment within one year are classified as current liabilities.

153. True: Current assets are all the assets which are expected to be realized or sold or consumed within one year.

154. True: When an asset is purchase capital expenditure is incurred and when the asset is put to use expenses are incurred in consumption.

155. True: Debit balance of accounts are treated as expenses whose benefit is already received or expired.

156. True: Gross profit is obtained by deducting cost of goods sold from sales.

157. False: If the debit side of the trading account exceeds its credit side then the balance is termed as gross loss.

158. False: The provision for bad debts is debited to debited to Profit and loss Account, in Balance Sheet it is shown either on liability side or deducted from the head Debtors.

159. True: According to the provision of conservatism provision is maintained for the losses to be incurred in future. Discount on creditors is an income so provision in not maintained.

160. False: The debts written off as bad, if recovered subsequently are credited to Bad Debts Recovered Account and becomes an income.

161. False: Income received in advance is reduces it from the concerned income in profit and loss account. And, it is shows it as a liability in the current balance sheet under the head Current Liabilities.

162. False: Premium paid on the life policy of a proprietor is to be debited to capital account, as it is personal expense.

163. True: Depreciation is charge on each of the asset on a certain percentage. Depreciation is a charge to profit and loss account and should be debited to profit & loss account by crediting the respective assets. If it appears in trial balance then it is taken only to profit and loss account.

164. False: Personal purchases included in the purchase's day book are deducted from the purchases account in the Trading account.

165. True: Any benefit given to the staff is debited to the salary account.

166. False: Goods taken by the proprietor for personal use should be credited to Purchase Account as less goods are left in the business for sale.

167. True: The closing Stock appears in the trial balance only when it is adjusted against purchases by passing the entry. In this case, closing stock is not entered in Trading Account and is shown only in Balance Sheet.

168. False: It depicts the cash system of accounting rather than the accrual system, as the cash receipts and payments pertaining to any year are entered in the Receipts and payments account. The principle of accrual is not followed with regard to the receipts and payments account of a non-profit organization.

169. False: The income and expenditure account records only the revenue income and expenditure. The capital transactions are being recorded in the Balance sheet.

170. False: The grass for a sports club is not a capital item, hence the sale of such grass shall be treated as a revenue receipt.

171. False: They are disclosed under the current assets of the Balance sheet as they will be paid within the next year and not to be treated as non-current assets.

172. False: Receipts and payments account gives information about the expenses paid in cash for the current year, previous or the next year. It is only from the additional information we identify the outstanding expenses.

173. False: Additional information means that information which has been identified just before the preparation of the final accounts. As NPO follows the double entry system of book keeping, there shall be 2 effects for each of the additional information.

174. False: The excess of expenditure over the tournament fund shall be debited to the income and expenditure account and not taken to the closing balance sheet.

175. False: The excess of the income over the expenditure is called as Surplus and not profit for a non-profit organisation.

176. False: The Non-profit organisation credits the surplus earned in a year to the general fund maintained by it.

177. True: It is Fund based accounting that records the fund balances in the balance sheet.

178. False: Subscription is a regular fee paid by the members to keep the membership alive.

179. True: Honorarium refers to the nominal amount paid for the services with a non-commercial intent.

180. False: Insurance Company has a profit motive; hence it is not a non-profit organization.

181. False: It shall be shown in the Balance sheet- where it is to be capitalized.

182. False: It is only the current year income and expenditure which is recorded in the Income and Expenditure account as per the accrual concept.

183. True: While on the death bed, if there is any will write that the assets of a person shall be donated to any NPO- then such a donation to the NPO, is termed as Legacy.

184. True: Where in case of the trading activities, the profit /loss from such activity to be transferred to the Income and expenditure account in case of consolidated accounts.

185. False: The Non-profit organisation has its very existence to serve the members and the society. Profit earning shall never be its motive.

186. False: Receipts can be both of revenue as well as capital nature. Receipts of both the nature are recorded in the receipts and payments account.

187. False: It represents a nominal account and is prepared in accordance with the accrual concept, hence there can be no opening balances.

188. False: They are recorded as sales irrespective of whether the customer might accept or reject the goods at the end of the period given for the approval in the given case.

189. False: As per the Sale of goods Act, when the goods are retained by the customer after the given time and no express intimation is given with regard to rejection- they are deemed sales.

190. False: At the end of the accounting period- if there are goods sold on approval or return basis, without any information, then the accounting treatment is to reverse the same from the sales and to add it with the existing closing stock at cost price.

191. True: At the end, already the entries pertaining to the reversal of the sale and the addition to the closing stock would have already been passed. If subsequently the customer rejects the goods, no further entry needs to be passed

192. False: It is the seller who fixes the terms of the period within which the customer has to get back with the answer of rejection or accepting the goods. In some cases, mutual consent is there.

193. False: Account current statement of running transaction between two parties to ascertain the amount along with interest payable. Current account is an account type to be maintained with the bank. In both the interest is calculated, but then different methods to calculate the interest.

194. True: An extension of the counter transactions between two parties type under the average due date - where in the date of the initial transaction is considered as the base date from which the no. of days to the date of rendering the account is calculated.

195. False: The due date is considered for the purpose of calculation of number of days and not the date of transaction.

196. False: It is B who is preparing and rendering the account current to Mr. A.

197. True: The bills of exchange which is honoured will not appear in the account current, only in case of dishonour, it will be appearing in the account current.

198. True: Inventories refers to stocks of goods and materials that are maintained in business for revenue generation.

199. True: For a construction business a building under construction will be inventory. The building is being built in the normal course of business and will eventually be sold as inventory.

200. False: Inventory is valued at lower of cost or net realizable value.

201. False: Under Perpetual Inventory System management have daily information of closing stock.

202. True: A periodic inventory system is suitable to small and micro enterprises, where physical counting of inventory is not a tedious process.

203. False: When closing inventory is overstated, net income for the accounting period will be overstated.

204. False: Closing stock = Cost of goods sold - (Opening inventory + Purchases + Direct expenses).

205. False: Cost of inventories should comprise all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

206. False: Costs of conversion of inventories include costs directly related to the units of production. They

also include a systematic allocation of fixed and variable overheads as well.

207. False: Abnormal amounts of wasted materials, labour or other production overheads expenses are generally not included in the costs of inventories.

208. False: Periodic system requires closure of business for counting of inventory.

209. True: Under Periodic inventory system actual physical count of inventory is taken of all the inventory on hand at a particular date.

210. True: Value of Closing stock as per average method is more realistic then LIFO.

211. False: The value of stock is shown on the assets side of the balance-sheet as current assets. As it is realizable within 12 months.

212. False: Under inflationary conditions, LIFO and weighted average will not show lowest value of cost of goods sold.

213. False: Under FIFO, valuation of inventory is based on the assumption that costs are charged against revenue in the order in which they occur.

214. True: The conservatism concept states that one shall not account for anticipated profits but shall provide all prospective losses. Valuing inventory at cost or net realizable value whichever is less, therefore is based on principle of Conservatism.

215. False: Finished goods are normally valued at cost or market price whichever is lower.

216. False: Bank Reconciliation Statement reconciles bank column of cash book with the balance in the pass book i.e., customer account in the books of bank.

217. True: These are the three broad categories.

218. False: Adjusting the cash book is mandatory when bank reconciliation is done at the end of the financial year.

219. False: Debit balance as per cash book should be represented by credit or favorable balance in pass book.

220. False: Bank charges are example of the transactions that bank carries out by itself and the same has not been recorded in the cashbook until statement is obtained from the bank.

221. True: Overcasting is an example of an error.

222. True: Since the cheques issued would have been recorded as payments and bank balance was credited in cash book, we need to add it back as the same is not yet deducted from our bank balance.

223. False: Bank charges should be added when we start with credit or favorable balance in pass book as bank would have debited the charges.

224. True: Since, we don't know the causes of difference, matching the two statements is only efficient way to identify the difference.

225. False: Cheques deposited but not yet cleared should be subtracted from debit or unfavorable balance in pass book.

226. True: Cheques issued but not yet presented should be added back to a debit balance in cash book to

arrive at pass book balance i.e., ₹ 50,000 + ₹ 60,000 = ₹ 1,10,000.

227. False: Overcasting of credit side means excessive payments are recorded and hence would lower the bank balance.

228. True: ₹ 25,000 payment is recorded as a receipt and hence it will have to be adjusted twice (once to nullify and then once to record actual payment) hence causing the difference of double amount.

229. True: It is an example of a payment instructed by customer to be directly debited by bank, and hence credited in the cash book.

230. True: Reconciliation statement can be prepared in either of the two formats

231. False: Bank rarely makes mistakes, and hence differences that relate to errors are generally made in cash book.

232. False: We need to deduct ₹ 81,600 (i.e. both cheque returned & charges) from debit balance in cash book to arrive at balance as per pass book.

233. False: Interest allowed by bank is mostly recorded in cash book after the entry has been made in the pass book or bank statement.

234. True: In absence of any reconciliation, the accountants can mis-utilize the funds temporarily by recording the entry without actual depositing the cash.

235. False: Timing differences relate to the transactions that are recorded in cash book and pass book in two different periods.

236. False: The bills payable account is a personal account that represents a liability.

237. False: Bill of exchange contains an order to pay the required amount and not a mere promise to pay.

238. False: 3 Days of grace are added to the due date to arrive at the maturity date.

239. False: There can be more than 2 parties- namely the drawer, acceptor and the payee of the bill.

240. True: When a bill is drawn in the country and is payable outside the country it is termed as a foreign bill.

241. True: In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill.

242. True: As per the modern accounting equation approach- it is the basic formula in the accounting process

243. True: In the traditional approach a debtor becomes receiver.

244. False: The rule of nominal account states that all expenses & losses are recorded on debit side.

245. True: It is one of the books where in the transactions not entered in the other books are entered in this book.

246. False: Capital account has a credit balance.

247. True: As it is considered as an expense.

248. False: All the personal & real account are recorded in balance sheet.

249. False: Asset side of balance sheet contains all the personal & real accounts.

250. True: As it is in the name of the proprietor who is bringing in the capital to the business.

251. True: As the transactions are entered first in this book as a first-hand record.

252. True: Since the balance is taken to the Trial balance cash book is a subsidiary book as wellas principal book.

253. False: Two column cash book consists of two columns cash column & discount column.

254. True: Discount column is totaled and transferred to the discount allowed or received account.

255. False: Contra entry is passed in a three-column cash book which includes bank and cash columns.

256. True: Usually the debit side of opening balance shows a favourable balance, where there is unfavourable- overdraft then it should be shown on the credit side

257. False: A cash book records only cash transactions.

258. False: Discount column of cash book records the cash discount. Trade discount is not shown in the books of accounts.

259. True: Since it classifies all the amounts related to a particular account and then it is used as the base for preparing the Trial balance, a ledger is also known as principal books of accounts.

260. True: Being an asset under the modern equation approach, cash account has a debit balance.

261. False: Posting is the process of transferring the balances from journal to ledger.

262. False: At the end of the accounting year, all the nominal accounts of the ledger book are totalled and transferred to P&L A/c.

263. False: Ledger records the transactions in analytical order. But journal records the transactions in a chronological order.

264. False: If the total of debit side is greater than the total of credit side, we get a debit balance as the opening balance.

265. True: The increase to an asset shall be debited since the original balance is also debit.

266. True: Since cash purchases are taken to the cash book, it is only credit transactions that are recorded in the purchases book.

267. False: Transactions regarding the purchase of fixed asset are not recorded in the purchase book, only the credit purchases of goods are recorded in it.

268. False: Credit sales are recorded in the sales book.

269. True: Subsidiary books are maintained as an alternate to the journal.

270. True: Bills receivable is one of the subsidiary books.

271. False: Return inward book is also known as sales return book.

272. False: Purchase of a second-hand machinery will not be recorded in purchase book.

273. True: Since sales return is reduction from the total sales value, it is debited in the sales account.

274. True: When there are numerous transactions then there are subsidiary books like the sales book where there are recorded instead of regular journal entries.

275. True: Preparing trial balance is the third phase of accounting process which forms the base for the preparation of the final accounts.

276. True: Based on trial balance only, we can prepare financial statement.

277. False: Agreement of Trial balance gives only arithmetical accuracy, there can still be errors in preparing the trail balance.

278. True: Since compensating errors cancel out due to their compensating nature of the amounts, hence the Trial balance tallies.

279. False: A Trial balance cannot find the missing entry from the journal.

280. False: Suspense account opened in a trial balance is a temporary account

281. True: As purchases is debited, any returns shall be credited (treated in opposite way).

282. True: There are 3 different stages when the mistakes are identified and then the rectification depends on the stage of identification of errors.

283. False: In case of error of complete omission, the trial balance tallies.

284. True: In order to balance the difference of balances in the trial balance suspense account is opened.

285. True: Where the accounts being debited is principally incorrect it is termed as error of principle.

286. True: Compensating errors cancel out each other when Trial balance is prepared as the mistake pertains to the same amount being credited and later debited on account of two different mistakes.

287. False: When amount is written on wrong side, it is known as an error of commission.

288. False: On purchase of furniture, the amount spent on repairs should be debited to furniture account as it is a capital expense.

289. False: 'Profit & Loss adjustment account' is opened to rectify the errors detected in the next accounting period.

290. False: Rent paid to land lord of the proprietors house, must be debited to 'Drawings account'.

291. False: If the errors are detected after preparing trial balance, then all the errors are not rectified through suspense account. There may be principal errors, which can be rectified without opening a suspense account.

292. False: The abnormal loss is credited to the consignment account since it is a reduction in the value of the stock.

293. False: The sales account shows the balance receivable on account of the sales- both cash and credit. Whereas the account sales statement is given by the consignee to the consignor on a periodical basis detailing the transactions done by the former.

294. True: The consignor is the owner of the goods sent on consignment. Consignee is a mere agent appointed to sell the goods for a commission and the mere transfer of possession does not entitle consignee to become the owner of the goods.

295. False: The del-credere commission is the commission paid to the consignee for bearing the loss of the bad debts if any.

296. True: It is the consignor who has to record the closing stock of the consigned goods since he is the owner of the goods. There is no entry passed in the books of the consignee.

297. False: It is a nominal account recording the expenses on the debit and the income on the credit side, balance being the profit/ loss on the consignment account to the trading account.

298. False: Proforma invoice is given by the consignor to the consignee with regard to the goods sent on consignment and their price.

299. False: If del credere commission is given to the consignee then, the bad debts are taken into the accounts of the consignee. It will not appear in the consignment account.

300. False: Abnormal loss occurs due to unforeseen circumstances, but, if necessary, steps are taken they can be controlled, it is only the natural loss which cannot be controlled since it occurs due to nature of the product.

301. False: The relationship between the consignor and the consignee is that of a principal and agent. It is mere arrangement for sale of goods on behalf of the consignor.

302. False : It is the decrease in market value as one of the reasons for depreciation. Increase in market value may result in Revaluation.

303. True : It is not necessary that the asset must be used to be depreciated, thus depreciation may start once it is brought in the location & condition required to be used.

304. False : Non-refundable taxes & duties form part of the cost.

305. False : Inauguration costs shouldn't be part of cost.

306. True : SLM method results in same amount and diminishing method involves same rate of depreciation.

307. True : Revaluation should be done for the whole class of the asset.

308. False : Any decrease in value of asset on account of revaluation should be first debited to Revaluation Reserve, if any, and then to Profit & Loss account.

309. True : Sum of years digit method depreciation is calculated as 10/55 x (12,00,000 – 1,00,000) = 2,00,000

310. False : Depletion relates to allocation of cost of natural resources

311. True : Depreciation being non-cash expense reduces the distributable profits and hence facilitates replacement of asset when required.

312. False : WDV = ` 12,50,000 - ` 4,00,000 = ` 8,50,000

313. True : Higher depreciation is charged in earlier years under sum of the years digit method.

314. False : It is vice versa as under diminishing balance method; higher depreciation is charged in beginning.

315. False : Land is not depreciated.

316. False : Provision for Depreciation account is credited while charging the depreciation.

317. False : Depreciation is allocation of the cost of an asset over its useful life. Regular repairs may be required during its life are expensed and depreciation has to be charged anyways.

318. True : At the time of sale of an asset, respective asset account is credited with provision for depreciation account being debited and any resulting gain or loss being charged to profit & loss account.

319. False: Under diminishing balance method, salvage value is not considered initially as it assumes that at the end of the asset's life the remaining value shall be its salvage value.

320. True : Any change in useful life of an asset is accounted for as a change in estimate.

321. False : Whenever any depreciable asset is sold during the year, depreciation is charged on it for the period it has been used in the sale year.

322. True: Where the due date is specifically given, then there is no need of further addition of 3 days grace to it.

323. True: The rebate is given to the customers who make payment early to the average due date calculate.

324. False: It is single weighted average date calculated in such a way that it does not create any profit / loss to both the parties involved.

325. False: If payment made on the average due date, then there is no need to pay interest or provide rebate as it is a date resulting in no profit/loss to either party.

326. True: This can be understood from the following example- where August 15th is the due date, then the revised due date is 14th- which is Sunday (holiday), then the due date becomes 13th (preceding working day).

327. False: Under matching concept all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

328. True: Since the owner invested capital, he has claim on the profits of the enterprise.

329. False: Under accrual concept, the effects of transactions and other events are recognized on mercantile basis i.e., when they occur (and not as cash or a cash equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

330. False: The Realization Concept also states that no change should be counted unless it has materialized.

331. False: The concept of consistency does not imply non-flexibility as not to allow the introduction of improved method of accounting.

332. True: As per materiality principle, all the items having significant economic effect on the business of the enterprise should be disclosed in the financial statements.

333. False: There cannot be single list of accounting policies, which are applicable to all enterprises in all circumstances. There would always be different policies chosen by different industries under different circumstances.

334. False: Accounting policy has big impact on value of items goes under financial statements, hence it impacts financial performance and financial position of the business.

335. False: A change in accounting policies should be made in the following conditions:
(a) It is required by some statute or for compliance with an Accounting Standard.
(b) Change would result in more appropriate presentation of financial statement.

336. True: An enterprise may adopt FIFO or weighted average method for inventory valuation and the method selected for valuation is called an accounting policy.

337. False: It could understate/overstate the performance and financial position of a business entity.

338. True: Accounting standards are documents covering recognition, measurement, presentation and disclosure of accounting transactions and events in the financial statements.

339. False: Accounting standards can never override the statute. The standards are required to be framed within the ambit of prevailing statutes.

340. False: Difficulties in making choice between different treatments is one of the limitations of accounting standard.

341. False: Benefits of accounting standards are:
- Standardisation of alternative accounting treatments
- Comparability of financial statements
- Requirements for additional disclosures.

342. False: ASB stands for accounting standard Board.

343. False: limitations of accounting standards Difficulties in making choice between different treatments Restricted scope

344. False: The drawee's signed assent on bill of exchange, to the order of the drawer. This term is also used to describe a bill of exchange that has been accepted.

345. False: Unexpired Cost - That portion of an expenditure whose benefit has not yet been exhausted.

346. False: Cash Basis of Accounting is the method of recording transactions by which revenues and costs and assets and liabilities are reflected in the accounts in the period in which actual receipts or actual payments are made.

347. True: Authorised share capital is number and par value of each class of shares that an enterprise may issue in accordance with its instrument of incorporation and is sometimes referred as nominal share capital.

348. False: Net Fixed Assets - Fixed assets less accumulated depreciation thereon up-to-date.

349. False: The debit balance in the profit and lo ss statement is deficit.

350. False: There are four generally accepted measurement bases.
(i) Historical Cost; (ii) Current Cost;
(iii) Realizable Value; (iv) Present Value.

351. True: Historical cost means the acquisition price.

352. False: At Realisable value, assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets in an orderly disposal.

353. False: Liabilities are carried at the present discounted value of future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

354. False: Historical cost is `10,00,000.

355. True: Since similar machine is purchased at 20,00,000, the current cost of machine is ` 20,00,000

356. False: A Contingent liability is required to be disclosed unless possibility of outflow of a resource embodying economic benefits is remote.

357. False: A contingent liability fails to meet the recognition criteria.

358. False: A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent asset

359. False: When it is probable that the firm will need to pay off the obligation, this gives rise to provision.

360. False: Present Financial obligation of an enterprise, which arises from past events is termed as liability,

361. False: The Government of India in consultation with the ICAI decided to converge and not to adopt IFRSs issued by the IASB.

362. True: Major benefits of convergence with IFRS's to economy, investors and industry.

363. False: Since India is going global, there was huge demand of global standards for better comparison.

364. False: International Financial Reporting Standards (IFRSs) are considered a "principles-based" set of standards.

365. False: Govt. of India has taken ASB support to develop Ind AS standards.

366. False: IASC stands for International Accounting Standards Committee.

367. False: Book-keeping and accounting are different from each other. Accounting is a broad subject. It calls for a greater understanding of records obtained from book-keeping and an ability to analyse and interpret the information provided by book-keeping records.
Book-keeping is the recording phase while accounting is concerned with the summarizing phase of an accounting system.

368. False: Financial accounting covers the preparation and interpretation of financial statements and communication to the users of accounts.

369. False: Management accounting is concerned with internal reporting to the managers of a business unit.

370. False: Customers are also concerned with the stability and profitability of the enterprise because their functioning is more or less dependent on the supply of goods.

371. False: Recording is the basic function of accounting. Summarising is concerned with the preparation and presentation of the classified data in a manner useful to the internal as well as the external users of financial statements

372. True: Balance Sheet is a statement of the financial position of an enterprise at a given date.

373. True: Book-keeping is concerned with complete recording and combined effect of transactions made during the accounting period.

374. True: the trade discount is to be deducted from the total value of ` 75,800. The amount paid in cash includes cash purchases and only the credit purchase will be shown in the purchases book- 36,005 (72,010 x 50%).

375. False: All the personal & real account are recorded in balance sheet.

376. False: Amount spent for replacement of any worn out part of a machine is revenue expense since it is a part of its maintenance cost.

377. False: When closing inventory is overstated, net income for the accounting period will be overstated.

378. False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called del credere commission.

379. False: Even though Goodwill is intangible asset it can be valued in terms of money. It can be measured in terms of physical units.

380. False: Interest on calls in arrears is payable by shareholders to company.

381. False: It shall be disclosed as a current liability in the opening balance sheet.

382. False: Debenture holder does not enjoy voting rights in company. He is only a creditor of the company.

383. False: Trial balance only checks the arithmetical accuracy of the books. Errors of principle and errors of commission will not affect the agreement of the trial balance.

384. False: The rationale behind the opening of a suspense account is to avoid delay in the preparation of financial statements.

385. True: In the early periods of useful life of a fixed asset, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later period, as asset becomes old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is higher in the initial period and reduces continuously in the later periods. Thus depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.

386. False: A partnership firm cannot acquire fixed assets in its name since it is not a separate legal entity. It acquires fixed assets in the name of its partners.

387. False: It shall be disclosed as a current liability in the opening balance sheet.

388. True: The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

389. False: The debit notes issued are used to prepare purchases return book.

390. True: Yes, they are types of subsidiary books which is alternate to the journals.

391. True: They are prepared on the basis of assumptions, conventions, concepts and personal judgements of the person who prepare them.

392. True: The profit on sale of capital assets should not be added to revenue to ascertain profit since it has not been earned due to normal business operations.

393. False: Sale of office furniture should be credited to Furniture account since it is a capital receipt.

394. False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called del-credere commission.

395. False: A partnership firm cannot acquire fixed assets in its name since it is not a separate legal entity. It can acquire fixed assets in the name of its partners.

396. False: Debenture holders do not enjoy voting rights in company.

397. True: The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

398. False: The debit notes issued are used to prepare purchases return book.

399. False: Bank reconciliation statement is prepared to reconcile and explain the causes of differences between bank balance as per cash book and the same as per bank statement as on a particular date.

400. True: The closing stock appears in the trial balance only when it is adjusted against purchases by passing the entry (in which Closing Stock A/c is debited and Purchases A/c is credited). In this case, closing stock is not entered in Trading Account and is shown only in Balance sheet.

401. True: Depreciation is a non-cash expense and unlike other normal expenditure (e.g. wages, rent, etc.) does not result in any cash outflow. Therefore depreciation is a non-cash expense and does not result in any cash outflow.

402. True: Discount at the time of retirement of a bill is a gain for the drawee and loss for the drawer.

403. True: In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest.

404. False: Cash withdrawal by the proprietor from his business should be treated as his drawings and not a business expense chargeable to profit and loss account. Such drawings should be deducted from the proprietors capital.

405. False: According to Partnership Act, in the absence of any agreement to the contrary profits and losses are to be shared equally among partners.

406. False: Life Membership Fee received for life membership is a capital receipt as it is of non-recurring nature. It is directly added to capital fund or general fund.

407. False: Debenture interest is payable before the payment of any dividend on shares.

408.. True - The balance represents the cash physically in existence and is therefore an asset.

409. False - Finished goods are normally valued at cost or net realizable value whichever is lower.

410. False - Current year subscription shall be shown in the credit side of the income and expenditure account and not in the balance sheet, as it is not a capital item.

411. False - When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.

412. True - Yes they are types of subsidiary books which is alternate to the journals.

413. True: Salary paid in advance relates to the coming accounting period. It has nothing to do with the current period. Hence it is not taken in the Profit and Loss Account as an expense. It is shown as a Current Asset in the Balance Sheet.

414. True: In the early periods of useful life of a fixed assets, repairs and maintenance expenses are relatively low because the asset is new. Whereas in later periods, as the asset become old, repairs and maintenance expenses increase continuously. Under written down value method, depreciation charged is high in the initial period and reduces continuously in the later periods. Thus, depreciation and repair and maintenance expenses become more or less uniform throughout the useful life of the asset.

415. True: The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

416. False: According to the Indian Partnership Act, in the absence of any agreement to the contrary, profits and losses of the firm are shared equally among partners.

417. False: Net income is determined by preparing income and expenditure in case of persons practicing vocation.

418. True - Conservatism states that the accountant I entity should not anticipate any future income. However, they should provide for all possible I probable losses. Imprudent use of concept of conservatism may lead to understatement of income and assets.

419. False -If individual life policies are taken in the name of the partners and premium is paid from the firm, then retiring partner is entitled to surrender value of all the partners policies.

420. False -When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.

421. False -Goods taken by the proprietor for personal use should be credited to Purchases Account as less goods are left in the business for sale.

422. True: Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.

423. False: Finished goods are normally valued at cost or net realizable value whichever is lower.

424. False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called del credere commission.

425. False: The firm will receive full value of sum assured of the joint life policy on the death of the partner.

426. True: When in case of trading activities for a Non- Profit -Organisation, the profit/loss from such activity is to be transferred to the Income Expenditure Account at the time of consolidation.

427. False: The right hand side of the equation includes cash twice- once as a part of current assets and another separately. The basic accounting equation is Equity + Long Term Liabilities = Fixed Assets + Current Assets - Current Liabilities

428. False: Such wages being related to capital Asset should be debited to the machinery account.

429. True: Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.

430. False: The additional commission to the consignee who agrees to bear the loss on account of bad debts is called del credere commission.

431. False: Due date may be the due date of the first transaction or the due date of the last transaction or any other due date between the first and the last but preferably earlier due date may be taken.

432. False: The business of the partnership firm can be carried on by all the partners or by any one of them acting for all.

433. False: Debenture interest is payable before the payment of any dividend on shares.

434. False: The Cinema Hall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense which is capitalized. Such expenses are not revenue and amortized over a period of time.

435. False: If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.

436. True: If closing stock appears in trail balance, it depicts that one aspect of the double entry has been completed, hence it is taken only to Balance Sheet.

437. False: Consignment account is a nominal-cum-personal account

438. False: According to Partnership Act, in the absence of any agreement to the contrary profits and losses are to be shared equally among partners.

439. True: As per Perpetual Existence company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

440. False; Reissue of forfeited shares is not allotment of shares but only a sale because such shares already has been allotted earlier.

441. True; Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt because it has no effect on improvement of future capability of business in revenue generation.

442. False; Sales Book is a register specially kept for recording credit sales of goods dealt in by the firm, cash

sales are entered in the Cash Book and not in the Sales Book.

443. False; There are three ways of preparing an Account Current: with help of interest table; by means of products and by means of products of balances.

444. True; Consignee is not concerned when goods are consigned to him or when the consignor incurs expenses. He is concerned only when he sends an advance to the consignor, makes a sale, incurs expenses on the consignment and earns his commission. He does not pass any entry in his books at the time of receiving goods from consignor.

445. False; Accounting Standards for non-corporate entities in India are issued by the Institute of Chartered Accountants of India (ICAI).

446. False: They are recorded as sales irrespective of whether the customer mightaccept or reject the goods at the end of the period given for the approval.

447. True: According to Section 53 of the Companies Act, 2013, a Company cannot issue shares at a discount except in the case of issue of sweat equity shares (issued to employees and directors).

448. False: Warehousing costs related to finished goods are expensed when incurred and are not included in inventory costs unless storage is incurred for getting the inventory ready for sale i.e. until and unless storage is required as a part of process of production of inventory like in case of wine.

449. False: Preference share holder can hold both Equity shares and Preferenceshares of the company. Any person can hold both kinds of shares.

450. False: Surviving partners may continue to carry on the business in case ofpartnership.

451. True: Cash transactions are straightaway recorded in the Cash Book and on the basis of such a record, ledger accounts are prepared. Therefore, the Cash Book is a subsidiary book. But the Cash Book itself serves as the cash account and the bank account; the balances are entered in the trial balance directly. The Cash Book therefore, is part of the ledger also. Hence, it has also to be treated as a principal book. The Cash Book is thus both a subsidiary book and a principal book.

452. False: It may be reasonably presumed that money spent for reducing revenue expenditure would have generated long-term benefits to the entity. So this is capital expenditure.

453. True: Repairs for the first time of an old building are incurred to put the building in usable condition. This is a part of the cost of building. Accordingly, this is a capital expenditure.

454. False: The provision for bad debts is debited to Profit and loss Account, in Balance Sheet it is shown either on liability side or deducted from the head debtors.

455. False: A share on which only a fixed rate of dividend is paid every year, without any accompanying additional rights in profits and in the surplus on winding-up, is called 'Non-participating Preference Shares. Non-participating preference shareholders do not enjoy voting rights.

456. True: It is the consignor who has to record the closing stock of the consigned goods since he is the owner of the goods. There is no entry passed in the books of the consignee.

457. True: Discount column is totalled and transferred to the discount allowed or received account.

458 False: A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent asset.

459 False: At the end of the accounting year, all the nominal accounts of the ledger book are totalled and transferred to Profit & Loss A/c.

460 True: Where the due date is specifically given, then there is no need of further addition of 3 days grace to it.

461 False: Amount spent for replacement of any worn- out part of a machine is revenue expense since it is part of its maintenance cost.

462 False: Debentures Suspense Account appears on asset side of Balance Sheet under Non-Current Asset.

463 False: If the errors are detected after preparing trial balance, then all the errors are not rectified through suspense account. There may be Errors of Principle and/or Errors of Omission, which can be rectified without opening a suspense account.

464. False: Overhaul expenses are incurred to put second-hand machinery in working conditionto derive endurable long-term advantage. So, it should be capitalised.

465. False: It may be reasonably presumed that money spent for reducing revenue expenditure would have generated long-term benefits to the entity. It becomes part of intangible fixed assets if it is in the form of technical know-how and tangible fixed assets if it is in the form of additional replacement of any of the existing tangible fixed assets. So, this is capital expenditure
.

466. True: Legal fee paid to acquire any property is part of the cost of that property. It is incurredto possess the ownership right of the property and hence a capital expenditure.

467. False: Legal expenses incurred to defend a suit claiming that the firm's factory site belongs to the plaintiff is maintenance expenditure of the asset. By this expense, neither any endurable benefit can be obtained in future in addition to that what is presently available nor will the capacity of the asset be increased. Maintenance expenditure in relation to an asset is revenue expenditure.

468. False: Amount spent for replacement of any worn out part of a machine is revenue expense since it is part of its maintenance cost.

469. False: Repairing and white washing expenses for the first time of an old building are incurred to put the building in usable condition. These are the part of the cost of building. Accordingly, these are capital expenditure.

470. True: The Cinema Hall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense which is capitalised. Such expenses are amortised over a period of time.

471. True: Cost of temporary huts constructed which were necessary for the construction of the cinema house is part of the construction cost of the cinema house. Therefore, such costs areto be capitalised.

ABOUT OUR FACULTY

Niraj Agarwal is a Chartered Accountant, Company Secretary, Cost & Management Accountant. He is an All India Rank Holder in all the 3 courses. He has graduated from St. Xavier's College, Kolkata and holds a Master's degree in Commerce too. He believes that learning is a continuous process and hence he is also a ICAI certified IFRS professional, an Associate from Insurance Institute of India and completed 5 papers of Actuarial Science. He is also a visiting Faculty at ICAS, Kolkata

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